

Congress of the United States

Washington, DC 20515

August 2, 2006

Internal Revenue Service
ATTN: Exempt Organization Division
PO Box 2508
Cincinnati, OH 45201

To Whom It May Concern:

We respectfully request that you inquire into possible excessive compensation practices by the American Civil Rights Institute, a 501(c)(3) tax exempt organization, and the American Civil Rights Coalition, a 501(c)(4) tax exempt organization, relating to payments made to the organizations' president, Ward Connerly. The following information is based on analyses by the staff of Congressman Conyers, based on public information filed with the Internal Revenue Service (IRS) in recent Forms 990s, that suggest that he and the organizations he directs may have violated tax Code section 4958 regarding excessive compensation.

Section 4958 prohibits the payment of excessive compensation to employees of tax exempt organizations, and requires special taxation rates for any "excess benefit transaction." Section 4958(c) provides that an excess benefit transaction is "any transaction in which an economic benefit is provided by an applicable tax-exempt organization directly or indirectly to or for the use of any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit..." Section 4958(f) defines a "disqualified person" as a person "who was, at any time during the five year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization ..." Forms 990s filed by the American Civil Rights Institute and the American Civil Rights Coalition identify Mr. Connerly as their "chairman."

Mr. Connerly's compensation, when including amounts treated as expenses, raises questions about use of the organizations' funds. It appears that he may have been paid amounts far greater than the value of any services he may have rendered. (The publication, "The Non-Profit Times" reported, in its February 1, 2006 Special Report -2006 Salary Survey, that the average salary for executive directors of non-profit organizations who responded to their survey was \$100,118. The highest reported salary was \$511,000.) The Form 990 Schedule A for the American Civil Rights Institute in 2003 reports that Mr. Connerly's salary was \$249,230 plus expense account payments of \$751,066. This is \$1,000,296 in payments to him for his reported average of 30 hours of work per week. Similar payments were made in the preceding three tax years. Enclosed is a chart, prepared by Congressman Conyers' staff, which provides a comparative analysis of amounts Mr. Connerly reported to the IRS as having received from 1997-2004.

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There are many unanswered questions surrounding information on these organizations' Forms 990s filed with the IRS, including the manner in which Mr. Connerly has received payments from a tax-exempt charity and a tax-exempt lobbying organization. We request that you validate the purpose for which reported compensation and expenses were paid to ensure that the current law tax rules have been met.

When information such as this comes to our attention, we feel that your office should be advised. Accordingly, we submit this letter to the Exempt Organization Division experts for appropriate consideration and follow up.

Please provide your response to 2142 Rayburn House Office Building, Washington, DC 20515, (tel: 202-226-6504; fax: 202-225-4423).

Sincerely,



John Conyers, Jr.
Ranking Member
Committee on the Judiciary



Charles B. Rangel
Ranking Member
Committee on Ways and Means

Enclosure

Payments to Ward Connerly by ACRI and ACRC

Based on available IRS Forms 990

American Civil Rights Institute, 501(c)(3)				American Civil Rights Coalition, 501(c)(4)				Both	
Fiscal Year	Salary (a)	Benefits (b)	Expense Accounts (c)	Total ACRI	Salary (d)	Benefits (e)	Expense Accounts (f)	Total ACRC	Available Total
2003/04	249,230	0	751,066	1,000,296	27,692		20,000	47,692	1,047,988
2002/03	235,816	28,846	725,000	989,662	103,847	0	45,000	148,847	1,138,509
2001/02	^{314,079 - 135,554 =} 178,525	15,000	352,009 174,354	719,888	135,554	0	55,000	190,554	910,442
2000/01	262,964	15,000	591,000 21,878	890,842	23,448	0	100,000	123,448	1,014,290
1999/00	216,000	15,000	93,639 15,105	339,744	0	0	50,000	50,000	389,744
1998/99	216,000	0	0	216,000	0	0	0	0	216,000
1997/98	230,000	0	0	230,000	RNO	RNO	RNO	RNO	230,000
1996/97	RNO	RNO	RNO	RNO	RNO	RNO	RNO	RNO	RNO
Totals				4,386,432				560,541	4,946,973

Sources of amounts:

- Column (a): ACRI Form 990, Part V, column (C), and (for 2001/02 and 2002/03) Statement 1
- Column (b): ACRI Form 990, Part V, column (D)
- Column (c): ACRI Form 990, Part V, column (E); Schedule A, Part II, column (c); and (for 2001/02) Statement 1
- Column (d): ACRC Form 990, Part V, column (C), and (for 2001/02 and 2003/04) ACRI Form 990, Statements 1 and 6
- Column (e): ACRC Form 990, Part V, column (D)
- Column (f): ACRC Form 990, Part V, column (E), and ACRI Form 990, Statement 1

Abbreviations:

- RNO = Return not obtained
- (blank) = Information not included in available returns